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**FISCAL IMPACT STATEMENT**

**LS 6584**

**BILL NUMBER:** HB 1729

**NOTE PREPARED:** Feb 25, 2009

**BILL AMENDED:** Feb 24, 2009

**SUBJECT:** Gaming Tax Relief.

**FIRST AUTHOR:** Rep. Pelath

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) The bill allows a riverboat to deduct qualified promotional allowances from the riverboat's adjusted gross receipts (AGR) for state fiscal years beginning after June 30, 2009, and ending before July 1, 2013. It provides that the maximum amount that a riverboat may deduct for a particular state fiscal year is \$5,000,000. It also reduces the slot machine wagering tax brackets through June 30, 2013.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** (Revised) *Summary* - The bill contains the following two provisions:

(1) The bill temporarily reduces each of the rates in the graduated slot machine wagering tax structure by five percentage points from FY 2010 to FY 2013. The revenue loss from this rate reduction is estimated to total about \$17.7 M annually in FY 2010 and FY 2011.

(2) The bill temporarily allows a riverboat casino to deduct from AGR promotional allowances exceeding the total promotional allowances provided by the casino in FY 2009. (Note: Adjusted gross receipts (AGR) is the total wagers minus winnings paid out to gamblers.) The maximum deduction a casino could claim each year is \$5 M. The deduction is effective from FY 2010 to FY 2013. The revenue loss from this deduction would depend on the extent that the casinos increase promotional allowances each year above the level of promotional allowances they provided in FY 2009. If, in FY 2010 and FY 2011, each riverboat casino provides \$5 M in additional promotional allowances above their FY 2009 levels, the deduction would reduce wagering tax liabilities by \$18 M per year. However, some of this revenue loss could be offset to the extent

that the additional promotional allowances generate AGR that would otherwise not accrue to the casinos.

**Background Information-**

(Revised) *Slot Machine Wagering Tax Reduction* - The slot machine wagering tax is imposed on the annual AGR generated by slot machines at Hoosier Park and Indiana Downs. Revenue from the tax is distributed to the state General Fund. The Revenue Technical Committee forecast (December 11, 2008) for revenue from the tax is equal to \$96 M annually in FY 2010 and FY 2011. The bill would reduce the expected yield to about \$78.3 M each year. The slot machine wagering tax rates in current law and as proposed under the bill for FY 2010 to FY 2013 are compared in the table below.

Taxable AGR Increment Earned July 1 <sup>st</sup> to June 30 <sup>th</sup>	Tax Rate on AGR Increment	
	Current	Proposed for FY 2010 to FY 2013
\$100 M and under	25%	20%
Over \$100 M up to \$200 M	30%	25%
Over \$200 M	35%	30%

(Revised) *Riverboat Casino AGR Deduction* - The deduction would apply only to amounts expended by a riverboat casino on certain promotional allowances exceeding the total amount expended on such promotional allowances by the casino during FY 2009. Deductible promotional allowances are promotional allowances to permit a patron to make a complimentary wager on a gambling game or play a gambling game without consideration. The deduction does not apply to amounts expended by the casino to provide a patron with complimentary lodging, meals, or merchandise. The deduction is capped for each casino at \$5 M per year. The deduction is effective from FY 2010 to FY 2013. Revenue from the riverboat wagering tax is distributed to the state General Fund. Currently, the top marginal wagering tax rate paid by six casinos is 35% and by five casinos is 30%.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Gaming Commission; Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** *Revenue Technical Committee Forecast*, December 11, 2009.

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